



You have made the leap and purchased a home.

Good News! Certain benefits come along with home ownership. You can take several income tax deductions as a result of home ownership.

Homeownership and Deductions on Your Income Taxes

Deductions are items or expenditures that are subtracted from a person's gross income to reduce the amount of income on which you must pay taxes.

Once a person takes a deduction, the amount of income to be taxed is smaller. (Deductions and exemptions sometimes even allow individuals to reduce their tax bracket.)

An individual can choose to list their tax deductions individually (this is called "itemizing deductions") or take the standard deduction, which many taxpayers do to avoid having to keep track of all their deductions.

A person benefits from itemizing their deductions if the total dollar amount is greater than the dollar amount of the standard deduction. The amount of standard deduction a person qualifies for depends on their filing status:

2006 Standard Deduction Chart for Most People

Single or Married Filing Separately	\$5,150
Married Filing Jointly or Qualifying Widow(er) with dependant child	\$10,300
Head of Household	\$7,550

*Do not use if born before January 2, 1941, or if you are blind, or if someone can claim you as an exemption, because in such instances the standard deduction is different. See www.irs.gov/pub/irs-pdf/p501.pdf.

*Department of Treasury, IRS, Publication 501

It is important to compare the available standard deduction with your total amount of itemized deductions to determine which approach yields the greatest deduction for you.

The IRS recommends itemizing if you paid interest and taxes on your home. One of the most cherished itemized deductions for homeowners is the Home Mortgage Interest Tax Deduction. It was introduced at the same time as the federal income tax, in 1913, but was not widely used until after World War II.

EDWARD LEONARD

Franklin County Treasurer

Today individuals can deduct interest on up to \$1 million in mortgage indebtedness, plus interest on another \$100,000 in home equity loans.

If you are a homeowner, you should receive a statement from your lender by the end of January that lists the amount of mortgage interest you paid last year. This statement will be labeled "Form 1098." The amount shown as interest paid is the amount you can deduct on your return.

To claim this deduction, you must file Form 1040 Schedule A. The Home Mortgage Interest Tax Deduction is line 10 if you received Form 1098 from your lender (or line 11 otherwise).

The purchase of a home is the single largest investment most Americans will make in their lifetimes. It is a big decision to go from renting to buying a home. It is very important to plan ahead to be sure you can afford all the expenses that come along with homeownership, and it is helpful to know what types of tax deductions are available to homeowners.

Other things homeowners can deduct on their income taxes include:

1. Property Taxes
2. Interest on a home-equity loan
3. Points paid when purchasing the house
4. Home improvements required for medical care

For easily understandable definitions of tax terms:

<http://www.investopedia.com/categories/taxes.asp>

For more information on Exemptions, Standard Deduction, and Filing Information:

<http://www.irs.gov/pub/irs-pdf/p501.pdf>

For More Information on the Home Mortgage Interest Tax Deduction:

<http://www.irs.gov/publications/p936/ar02.html>

<http://www.irs.gov/pub/irs-pdf/f1040sab.pdf>